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Viewing cable 10QUITO103, Ecuador Rejects FATF Decision to Place it on High-Risk List

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#10QUITO103**.

Reference ID	Created	Released	Classification	Origin
10QUITO103	2010-02-25 23:07	2011-08-30 01:44	CONFIDENTIAL	Embassy Quito

Appears in these articles:

<http://www.eluniverso.com/2011/04/12/1/1355/cable-250884.html>

VZCZCXYZ0025
OO RUEHWEB

DE RUEHQT #0103/01 0562307
ZNY CCCCC ZZH
O 252307Z FEB 10
FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1134
INFO RHEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC IMMEDIATE
RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE
RHMFISS/DEPT OF JUSTICE WASHINGTON DC IMMEDIATE
RUCNFB/FBI WASHINGTON DC IMMEDIATE
RUEABND/DEA HQS WASHINGTON DC IMMEDIATE
RUEANQT/FINCEN VIENNA VA IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RUEHBO/AMEMBASSY BOGOTA IMMEDIATE
RUEHBR/AMEMBASSY BRASILIA IMMEDIATE
RUEHBU/AMEMBASSY BUENOS AIRES IMMEDIATE
RUEHFR/AMEMBASSY PARIS IMMEDIATE 0035
RUEHGL/AMCONSUL GUAYAQUIL IMMEDIATE
RUEHLP/AMEMBASSY LA PAZ FEB MEXICO IMMEDIATE
RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 0009
RUEHRL/AMEMBASSY BERLIN IMMEDIATE 0001
RUEHRO/AMEMBASSY ROME IMMEDIATE 0053
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RUEHQT/AMEMBASSY QUITO

C O N F I D E N T I A L QUITO 000103

SIPDIS

E.O. 12958: DECL: 2020/02/25

TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [KJUS](#) [KCRM](#) [KTFN](#) [PTER](#) [SNAR](#) [EC](#)

SUBJECT: Ecuador Rejects FATF Decision to Place it on High-Risk List

REF: QUITO 101

CLASSIFIED BY: ...

id: 250884

date: 2/25/2010 23:07

refid: 10QUITO103

origin: Embassy Quito

classification: CONFIDENTIAL

destination: 10QUITO101

header:

VZCZCXYZ0025

OO RUEHWEB

DE RUEHQT #0103/01 0562307

ZNY CCCCC ZZH

O 252307Z FEB 10

FM AMEMBASSY QUITO

TO RUEHC/SECSTATE WASHDC IMMEDIATE 1134

INFO RHEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC IMMEDIATE

RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE

RHMFSS/DEPT OF JUSTICE WASHINGTON DC IMMEDIATE

RUCNFB/FBI WASHINGTON DC IMMEDIATE

RUEABND/DEA HQS WASHINGTON DC IMMEDIATE

RUEANQT/FINCEN VIENNA VA IMMEDIATE

RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE

RUEHBO/AMEMBASSY BOGOTA IMMEDIATE

RUEHBR/AMEMBASSY BRASILIA IMMEDIATE

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RUEHRL/AMEMBASSY BERLIN IMMEDIATE 0001

RUEHRO/AMEMBASSY ROME IMMEDIATE 0053

RUCPDO/DEPT OF COMMERCE WASHINGTON DC

RUEAIIA/CIA WASHINGTON DC

RUEHQT/AMEMBASSY QUITO

----- header ends -----

C O N F I D E N T I A L QUITO 000103

SIPDIS

E.O. 12958: DECL: 2020/02/25

TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [KJUS](#) [KCRM](#) [KTFN](#) [PTER](#) [SNAR](#) [EC](#)

SUBJECT: Ecuador Rejects FATF Decision to Place it on High-Risk List

REF: QUITO 101

CLASSIFIED BY: Christopher A. Landberg, Economic Counselor, U.S.
Department of State, Economic Section; REASON: 1.4(B), (D)

Summary

¶1. (C) The Ecuadorian government has reacted vehemently against the February 18 Financial Action Task Force (FATF) statement that Ecuador has not committed sufficiently to addressing strategic deficiencies in its anti-money laundering and counter-terrorism finance regime. President Correa and senior GoE officials characterized the FATF decision as unjust, argued it ignores Ecuador's counter narcotics achievements, and alleged it is punishment for Ecuador's ties with Iran. On February 25, Foreign Minister Patino questioned the legitimacy of FATF and said that

Ecuador will not ask FATF to reconsider the decision. In contrast, Central Bank officials and private sector leaders are concerned about possible repercussions and want to play a constructive role in getting Ecuador off the FATF high-risk list. Based on the initial reaction and the Rio Group's recent declaration of solidarity with Ecuador, it appears that the GoE aims to push FATF to reconsider the decision, while building support within the region. End Summary.

FATF Groups Ecuador with North Korea, Ethiopia, Angola

12. (SBU) The FATF plenary announced on February 18 that Ecuador (along with Angola, Ethiopia, and North Korea) had not "committed to an action plan developed with the FATF to address key deficiencies" in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and had not "delivered a clear high-level political commitment to address these deficiencies" going forward, thus posing a risk to the international financial system. It called on Ecuador to work with the FATF and FATF-Style Regional Body GAFISUD in adequately criminalizing money laundering and terrorism finance and addressing other deficiencies. FATF did acknowledge that Ecuador has engaged with FATF and GAFISUD (unlike the other three countries cited).

Correa Rejects FATF Determination

13. (SBU) President Correa spent much of his weekly address on Saturday, February 20, denouncing FATF's statement. He framed the FATF decision as an attack on Ecuador's sovereignty. While not directly naming the United States, Correa referred to the FATF "blacklisting" as a sign of the "arrogance of imperialism." Correa declared that the FATF decision "has to do with the fact the Ecuador has relations with Iran," an assertion he repeated several times during the address.

14. (SBU) In a preview of what has become the GoE's party line, Correa said that contrary to FATF's findings Ecuador has achieved extraordinary results in combating drug trafficking (Ecuador doubled narcotics seizures in 2009, compared to 2008). He also stated that there was no money laundering in Ecuador, adding that "[the imperialists] need to check where the money laundering is: in the United States and Switzerland, but instead of checking their own countries they condemn us."

15. (SBU) Correa's efforts to protest the FATF decision at the February 23 Rio Group Summit in Cancun, Mexico, resulted in the group releasing a public declaration of solidarity with Ecuador. The Rio Group declaration expressed the "deep concern" of its 29 member states (including FATF members Brazil, Argentina, and Mexico) over FATF's statement on Ecuador and decision process. The Rio Group declaration also reinforced the GoE's party line, noting that President Correa "totally rejected the actions of FATF," which are "not consistent with the evident efforts and initiatives in all areas that Ecuador has carried out to fight money laundering and the financing of terrorist activities."

Senior Officials Follow Correa's Lead

16. (SBU) Coordinating Minister for Economic Policy (and Acting Central Bank President) Diego Borja stated February 19 that FATF is "not official, nor does it represent the members of the G-20." Minister of Government Gustavo Jalkh, who oversees Ecuador's police forces, publicly labeled the FATF move an "injustice" and explained that Ecuador was a model country in the region in terms of fighting

organized crime, narcotics trafficking, and money laundering. Jalkh stated that "terrorism" was considered an "illicit activity" under the Penal Code, and Ecuador's money laundering legislation addressed all illicit activities (i.e., including terrorism). Both officials, as well as Foreign Minister Patino, also repeated Correa's allegation that the real reason for the FATF determination was to retaliate against Ecuador for developing a close relationship with Iran.

¶7. (C) Finance Minister Maria Viteri forcefully rejected FATF's designation of Ecuador as high-risk during a February 24 meeting with EconCouns and Treasury's visiting Ecuador desk officer. Viteri said the FATF assessment was out of date because it was based on a 2007 GAFISUD review, did not reflect Ecuador's positive record in prosecuting AML/CFT cases, and did not recognize Ecuador's previous efforts in building its AML/CFT regime. Regarding the latter, she noted that the ongoing process of passing laws required under the new constitution had overtaken further review of AML/CFT regulations. (Comment: Viteri's claim that Ecuador's FATF listing was based on a 2007 report is misinformed. Ecuador's FATF listing is the result of a 2009 review conducted by a FATF working group staffed by officials from member countries. The working group measured progress in Ecuador's AML/CFT regime since 2007, and used a Mutual Review (MER) of Ecuador's AML/CFT regime conducted by GAFISUD in 2007 as a baseline for assessing Ecuador's progress. End Comment.)

¶8. (C) Viteri expressed concern that the FATF report had political aims and undermined the positive international image the Correa Administration has sought for Ecuador. She characterized as incredulous the report's inclusion of Ecuador -- itself a "victim of terrorism" in its northern border region -- as being soft on terrorism. Viteri also openly questioned the efficacy of promoting AML/CFT laws, when many countries do not enforce them. Nevertheless, she recognized that more work may be needed to improve Ecuador's AML/CFT regime, and noted that Foreign Minister Patino and Solicitor General Diego Garcia Carrion will lead the

GoE's official response to FATF. EconCouns highlighted that the FATF determination had been supported by all member countries and encouraged the GoE to work with FATF and GAFISUD to address the deficiency areas highlighted in the statement.

¶9. (SBU) Ecuador's National Counsel on Money Laundering (NCML), an inter-ministerial body in charge of Ecuadoran AML/CFT policies and headed by Solicitor General Garcia, announced it would send letters to FATF and GAFISUD objecting to the listing. Garcia, who has been personally engaged in GoE exchanges with FATF, has made the most moderate comments of all GoE officials. In both his public comments and his statements in the diplomatic note sent February 19 to the Treasury Department and all other FATF member countries, in which he protested the FATF decision, Garcia highlighted the GoE's commitment to complying with FATF AML/CFT recommendations and expressly avoided linking the FATF determination to Iran. In contrast, Foreign Minister Patino seems to be hardening his position. He stated February 25 that the GoE "will not ask that it [FATF] reconsider anything, since that organization does not have the right or the authority to put Ecuador, or any other country, on lists of any sort." He added that the 29 members of the Rio Group had supported Ecuador's position in this matter.

Regulators and Private Sector Eschew Politics and Focus on Solving the Problem

¶10. (C) During separate February 24 meetings with EconCouns and TreasOff, Central Bank General Manager Christian Ruiz and private bank association President Fernando Pozo (also General Manager of Ecuador's largest bank, Banco Pichincha) expressed deep concerns

about the FATF characterization of Ecuador. Both highlighted the strict controls that Ecuadorian banks have in place, arguing that these measures met or exceeded international standards. They worried that the determination could make it more difficult and costly for the GoE and the private sector to access international capital markets. Both admitted that neither institution had been included in the GoE's past discussions with FATF and GAFISUD, and asked for Embassy guidance on how to engage.

¶11. (C) Members of Ecuador's four American Chambers (Quito, Cuenca, Ambato, Guayaquil) noted similar concerns during a February 24 meeting with the Ambassador and Embassy staff, and noted their interest in supporting efforts to remove Ecuador from the current FATF grouping. Emboffs' consistent response to all these parties was that Ecuador needed to work with FATF and GAFISUD (and not via individual FATF members). Emboffs also recommended they focus on FATF's statement, which highlights the lack of political will on Ecuador's part, implying that these institutions could play a useful role in encouraging GoE officials to develop a more constructive and proactive response to FATF/GAFISUD.

¶12. (C) During a February 23 meeting, Wells Fargo/Wachovia representatives told Emboffs that they will increase scrutiny of their clients in Ecuador, which will result in higher costs. (Wachovia, soon to complete the full transfer to Wells Fargo, is the largest player in cash management services in Ecuador and one of the largest in providing trade financing). They agreed with Central Bank/Pichincha statements that Ecuadorian banks are

committed to meeting international AML/CFT standards, and commented that they are not as worried about the local banks as they are about how U.S. regulatory agencies will react. They have called on their local clients to strengthen controls and for the time being do not have plans to reduce exposure to the market. However, decisions going forward depend on U.S. regulators' actions and, if costs increase significantly, reducing the size of their Ecuador portfolio is an option (as Wachovia has done in Venezuela).

Comment

¶13. (C) Correa and his ministers' statements, combined with Correa's successful lobbying efforts at the Rio Group Summit, indicate that the GoE does not intend to accept the FATF judgment without a fight. However, given that Ecuador has limited ability to influence FATF positions, the real result of the GoE's government wide outburst is to paint Correa into a corner. Seeing as the President has termed the FATF statement as an attack on Ecuador's sovereignty, and especially in light of Foreign Minister Patino's latest hardening of Ecuador's public position, Correa would lose face if he were now to reverse course and make a clear political commitment to a FATF-action plan. Nevertheless, the interest of the Central Bank and private sector actors to pursue a more constructive path could gradually bear fruit. The question is whether these interested parties can help the GoE move past its initial rejection of the determination and work with FATF to address problem areas. The FATF decision is one of the few instances where the GoE has experienced adverse consequences as a result of its actions (or inactions).

HODGES

=====CABLE ENDS=====